Exports and Imports (by rail) of the Chief Agricultural Products.—During the year under review, cocoanut, paddy, ragi, groundnut, betelnuts, coriander, tobacco, sugar, jaggery and molasses were exported in greater quantities than in the previous year. Fresh fruits and vegetables, dried fruits and nuts, rice (not in husk), wheat, cotton seeds, coriander, refined sugar, were among the most important articles which were imported in larger quantities than in the previous year.

General.—Government regret to observe that though on the whole the Season and Crop Report for 1927-28, indicates rather more care in preparation than its predecessor, the figures given in it were still in many cases inaccurate and entailed some labour for rectification.

Government trust that with strict instructions from the Revenue Commissioner, future returns will show a marked and progressive improvement in this regard.

N. RAMA RAO,
Secretary to Government,
Development Departments.

FINANCIAL SECRETARIAT.

Public Accounts Committee.

READ—

Audit and Appropriation Report of the Comptroller on the accounts for the year 1927-28, received with his letter No. 1470, dated 14th February 1929.

2. Report of the Public Accounts Committee on the Audit and Appropriation Accounts for 1927-28.

ORDER NO. FL. 1078-1138—G. F. 46-29-1, DATED 12TH—14TH AUGUST 1929.

The report of the Public Accounts Committee on the Audit and Appropriation Accounts for 1927-28 was placed before the Legislative Council at the session held in June—July 1929 and was approved by that Body.

2. Government have considered the report and desire to record their appreciation of the care, industry and ability with which the Committee have conducted their scrutiny.

3. Government are pleased to pass the following orders on the more important points brought to notice as the result of the investigation by the Committee.

4. Government share the satisfaction which the Committee have expressed at the successful working of the system of providing some of the large spending Departments with internal audit organisations of their own and note the recommendation for the gradual extension of the scheme of giving Account Assistants to other Heads of Departments who have to deal with financial transactions of magnitude.

PART I.

5. *Paras 4 to 7-7A of the Report. Variations between Grant and Actuals.*—The Committee have commented on the large lapses under certain heads and on the wide divergence between estimates and actuals especially under Capital, Depreciation Funds, and Loans and Advances. While there is some improvement in this respect over the last year's results the occurrence of heavy lapses continues to be a repeating feature year after year. Supplementary grants are obtained even in cases where the actual expenditure is well within the original grants. Government agree with the Committee that insistent efforts are necessary to secure a better approximation of the programme of sanctions to actuals than at present and that possibilities of reappropriation should be fully explored by Heads of Departments before applying

for supplementary grants. Lapses in the Railway Department are reported to be mainly due to the long intervals between the placing of orders with foreign manufacturing firms and the compliance of orders by them and the Committee recommend that the Railway Department should have triennial programmes of Capital Works and that when any estimate is submitted for sanction the appropriation therefor in such programmes should be pointed out, so that timely action might be taken for making purchases and utilising the provisions therefor in the budgets of the years concerned. The Committee's suggestion is commended to the Agent and Railway Secretary and all other Heads of Departments responsible for incurring large outlay on machinery and materials to be obtained from foreign countries are also requested to take similar action.

Para 8, ibid—Excesses over grants.—An excess over grant is noticeable under 'Loans and Advances' and this was mainly due to the transfer of the excess over cost of manufacture included in the price of arrack recovered from licensees, to the Revenue Head concerned without any provision to cover the transfer. The excess over grant would not have occurred if the system of accounting contemplated in the original estimate had been followed in the accounts. Orders have since issued to the Comptroller accepting his proposal to adjust the profits to Revenue heads by reducing the credits under the advance heads. The other excesses are minor. The Committee, while recommending that the excess grants be all passed, emphasize the view held by their predecessors that Heads of Departments should forecast excesses at the earliest possible moment and come up for sanction to supplementary grants in time and that such sanctions should not be anticipated. Government fully endorse the Committee's opinion and desire that effective steps should be taken to give effect to the suggestion.

Para 9, ibid—New Service Expenditure.—The Committee refer in this paragraph to an item of capital expenditure (Preliminary investigations on the Jog Falls Scheme) not contemplated in the Budget Programme which was financed by reappropriation from savings on grants allotted to the Bhadravathi Iron Works and suggest the desirability of giving an opportunity to the Legislature to express its views in cases involving heavy capital outlay for which provision is not made in the original Budget Estimates. What constitutes a 'New Service' for which a vote of the Legislative Council is necessary is a question about which there is room for difference of opinion. The Committee have felt some difficulty in finding a clear-cut definition of the term 'New Service' and are of the opinion that till further experience is gained, it is best to deal with each case on its merits.

Government are of opinion that the best possible efforts should be made to forecast as far as possible all demands of importance and magnitude likely to arise during the year, whether under Revenue, Capital or Debt heads and to include them in the original Budget presented to the Legislature.

Para 10, ibid—Propriety of Outright Grants.—In regard to the policy of making outright grants to Local Boards and Municipalities, for Rural Reconstruction, Drinking Water Wells, etc., the Committee are agreeable to the continuance of the system of outright grants in view of the insistent demand for expenditure on these beneficent services. But they consider that it should be possible to devise methods by which necessary information could be furnished to the Audit Department to satisfy it that the funds allotted are in fact being spent for the purposes for which the grants are intended. The Comptroller is requested to consider the means of giving effect to this suggestion and submit in consultation with the Revenue Commissioner for the approval of Government a set of draft rules for the guidance of all the officers concerned.

PART II.—AUDIT REPORT.

Para 13, ibid—Reluctance of Departmental officers to furnish information to Audit.—The attention of all officers is invited to the Committee's observations contained in paras 13 and 182 of the Report. An officer of the Public Works Department is reported to have delayed the supply of information called for by Audit on the plea of his having sought the permission of his official superior. The Committee have fully gone into the case and have held that there was no need to have sought such permission. Government direct that requisitions of the Audit

Department for supply of information necessary for purposes of audit be complied with by all Departments.

Paras 14 to 17 and 19 and 22.—Losses due to inattention to rules of fraud by individuals and the responsibilities of Government officers in that connection.—The Committee observe that in many offices the certificates to be made by Drawing and Countersigning Officers in respect of contingent bills and bills for supplies are regarded as matters of pure routine and the certificates are signed by them, without adequate scrutiny and that the cash and imprest accounts do not receive the attention they deserve. Want of timely action on the part of an officer in disposing of some materials is reported to have resulted in loss to Government. An instance is also brought to notice in which the Head of a Department did not report to Government the defalcation of public funds immediately on its discovery as required by standing orders.

The Committee's investigation has shown that in a number of cases, pecuniary loss to Government has been occasioned by inattention to Account Rules, and by the neglect or disregard of standing orders in the matter of custody of cash and property, and of entering into contracts, etc. For the prevention of such cases in future and for the enforcement of personal responsibility of officers for losses caused, Government consider it necessary to lay down the following general principles:—

1. Every Government servant should realise fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part, and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government servant to the extent to which it may be shown that he contributed to the loss by his own action or negligence. The cardinal principle governing the assessment of responsibility in such cases is that every public officer should exert the same vigilance in respect of public expenditure and public funds as a person of ordinary prudence would exercise in respect of the expenditure and the custody of his own money. An officer's honest errors of judgment involving financial loss may be deserving of condonation if he can show that he has done his best up to the limits of his ability and experience. Where however an officer is dishonest, careless or negligent in the duties entrusted to him, and causes loss to Government the case is clearly one for punishment and enforcement of personal liability.

2. It is of the greatest importance to avoid delay in the investigation of any loss due to fraud, negligence, financial irregularity, etc. If the irregularity is detected by Audit in the first instance, it will be the duty of the Audit Officer to report immediately to the Administrative authority concerned. If the irregularity is detected by the Administrative authority in the first instance, and if it is one which should be reported to the Comptroller in terms of Article 38 (*a*), Mysore Account Code, Volume I, he must make that report immediately. Every important case should be brought to the notice of superior authority as soon as possible. Should the Administrative authority require the assistance of the Audit Officer in pursuing the investigation, he may call on that officer for all vouchers and other documents that may be relevant to the investigation; and if the investigation is complex and he needs the assistance of an expert Audit Officer to unravel it, he should apply forthwith for that assistance to Government who will then issue instructions to the Audit Officer for sparing the services of an investigating staff. Thereafter the Administrative authority and the Audit authority will be personally responsible, within their respective spheres, for the expeditious conduct of the enquiry.

3. In any case in which it appears that recourse to judicial proceedings is likely to be involved, competent legal advice should be taken as soon as the possibility emerges. In the case of losses involving a reasonable suspicion of fraud or other criminal offence a prosecution should be attempted unless the legal advisers consider that the evidence available is not such as will secure a conviction. The reasons for not attempting a prosecution should be placed on record in all such cases.

4. In cases where loss is due to delinquencies of subordinate officials and where it appears that this has been facilitated by laxity of supervision on the part of a superior officer, the latter should also be called strictly to account and his personal liability in the matter carefully assessed.

5. The question of enforcing pecuniary liability should always be considered as well as the question of other forms of disciplinary action. In deciding the degree of the Officer's pecuniary liability it will be necessary to look not only to the circumstances of the case but also to the financial circumstances of the officer, since it should be recognised that the penalty should not be such as to impair the Government servant's future efficiency.

In particular, if the loss has occurred through fraud, every endeavour should be made to recover the whole amount lost from the guilty persons, and if laxity of supervision has facilitated the fraud, the supervising officer at fault may properly be penalised either directly by requiring him to make good in money a sufficient proportion of the loss, or indirectly by reduction or stoppage of his increments of pay.

It should always be considered whether the value of Government property or equipment lost, damaged, or destroyed by the carelessness of individuals entrusted with their care (*e.g.*, a policeman's rifle, a touring officer's tents, a factory motor lorry, an Engineer's instruments) should not be recovered in full up to the limit of the officer's capacity to pay.

6. Steps should be taken to ensure that an officer concerned in any loss or irregularity which is the subject of an inquiry, is not inadvertently allowed to retire on pension while the enquiry is in

progress, and accordingly, when a pensionable Government servant is concerned in any irregularity or loss, the authority investigating the case should immediately inform the Comptroller and the Head of the Department concerned, and it will rest with the latter to make a note of the information and to see that pension is not sanctioned before either a conclusion is arrived at as regards the Government servant's culpability, or it has been decided by the sanctioning authority that the result of the investigation need not be awaited.

Para 18—Stock taking.—The Committee, like their predecessors, rightly emphasize the need for taking stock regularly at least once in every year in all departments which hold stocks of large value. This work should receive the particular attention of the Heads of the Departments concerned.

Para 20—Savings Bank Accounts.—In commenting on the irregularities in Savings Bank Accounts reported by the Comptroller, the Committee suggest that each individual depositor may be furnished with a statement of his accounts at the end of each year so as to afford protection against possible frauds. The Comptroller is requested to examine the question and to submit detailed proposals for the orders of Government.

Para 21—Belated Claims.—Government accept the Committee's recommendation in regard to dealing with belated claims and direct that contingent bills not preferred for recoupment within three years, should, as a rule, not be sanctioned or permitted to be encashed.

Para 23—Delay in settling Pension Cases.—With a view to prevent delay in settling pension claims, the Committee suggest that Heads of Departments should take action some time before the retirement of each officer (say two years) to rectify the defects in his service records and to have them completed before he actually retires. This suggestion is commended to all Heads of Departments.

Para 24, ibid—Stamps.—The Committee consider that the existing procedure, for communication of the orders for supplies to the Stamp Department, for payment of supplies received, and for despatch of advice of payment to the Department is defective. The Stores Purchase Committee is requested to look into this matter with a view to improve the existing arrangement.

GENERAL.

Paras 27 and 28, ibid.—The Committee observe that the Comptroller's report on the financial transactions of the Iron Works does not furnish sufficient details of the results of audit. They also state that the report is silent as regards the work of the special Auditor under the Chief Court. The Comptroller is requested to supply these omissions in the future reports. In all departments where internal audit organisations have been sanctioned, the Comptroller is competent to obtain information about the results of audit for inclusion in the Audit and Appropriation Report. The Financial Assistants in the Electric, Education and Military Departments, as well as the Account Assistants in the Forest and Agricultural Departments, the Chief Accountant of the Mysore Iron Works and the Civil Court Auditor should submit to the Comptroller through the respective departmental Heads, reports on the lines laid down by the Comptroller.

Para 26, ibid—Non-voted Items of Expenditure.—The Comptroller's report deals with the audit and appropriation of accounts under voted as well as non-voted items. The Committee have raised the question as to whether expenditure falling under non-voted heads can be reviewed by them. This question requires examination and is reserved for separate orders.

In regard to other matters dealt with in the Committee's report or their proceedings, Government desire that the suggestions made by the Committee should receive the careful attention of Heads of Departments concerned and that they should take all necessary action to give effect to them.

Government are pleased to note the Committee's observation that the relations between the Railway Administration and its Audit Department are cordial and that adequate use is being made by the administration of the financial advice tendered by the Auditor.

B. SRINIVASA IYENGAR,
Secretary to Government,
Financial Department.